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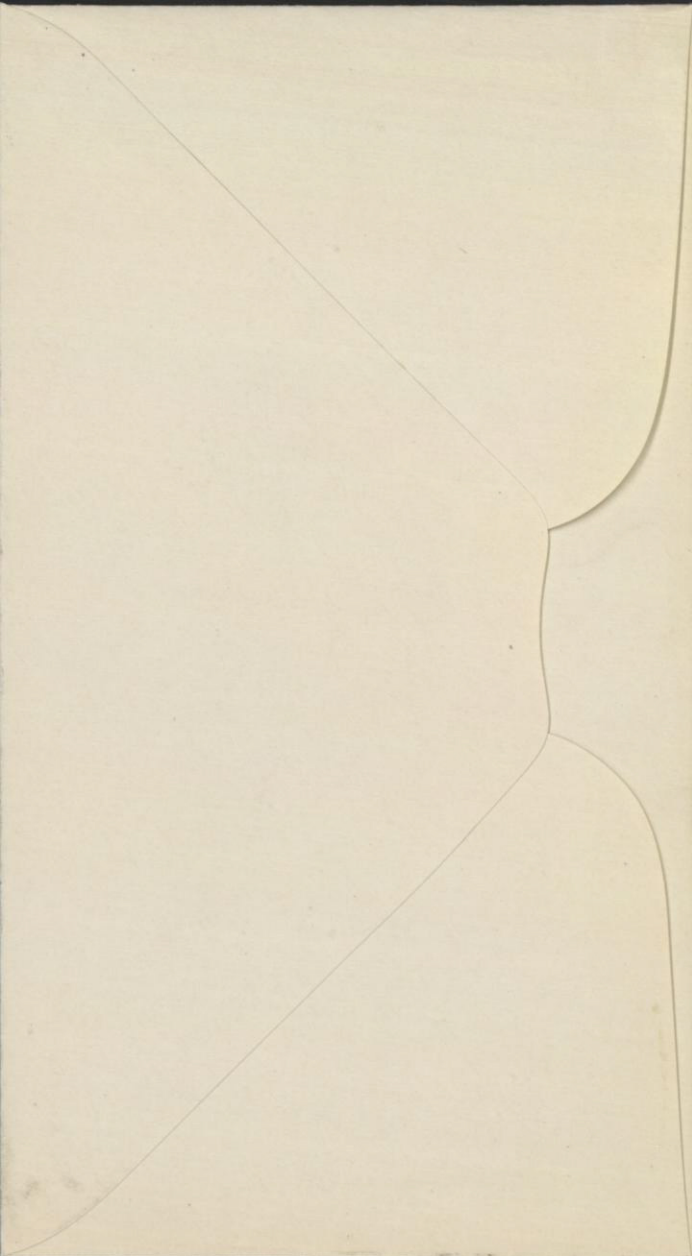
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Walgreen

DRUG STORES

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WALGREEN CO.
REPORT TO STOCKHOLDERS
Year Ended
September 30, 1934



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Secretary

WALGREEN CO.

744 Bowen Avenue

Station "M"

CHICAGO, ILLINOIS

Walgreen

DRUG STORES

WALGREEN CO.
GENERAL OFFICES:
744 BOWEN AVENUE

CHICAGO

November 20, 1934.

TO OUR SHAREHOLDERS:

You will find, following this letter, the financial statements of our Company covering its fiscal year ended September 30, 1934.

The earnings there shown are \$2,558,894.69, which after payment of dividends upon the Preferred Stock outstanding is equivalent to fractionally over Three Dollars per share upon the number of Common Shares outstanding at the end of the year.

We were, on September 30, 1934, operating 483 stores (not including 4 stores at A Century of Progress). This is an increase of 13 stores over the same date last year and is made up of 44 stores opened, less 31 stores which were closed or disposed of. I may mention that no store was dropped, except for reasons considered favorable to our Company. We have been fortunate in not losing locations we desired to retain. Our program of weeding out stores which for one reason or another were not satisfactory has, in the main, been completed. Of course, there will always be eliminations, because naturally neighborhoods and trading centers change in character. All the expenses of removing fixtures, etc., from closed stores and reinstalling them in new stores have been charged off against current income.

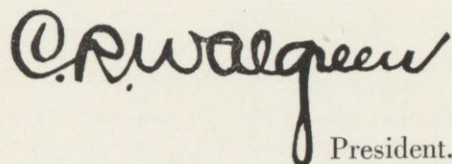
We have entered a number of cities in areas entirely new to us, and the degree of our success has been encouraging. Between October 1 and December 31 we shall have opened between twenty-five and thirty additional stores.

We have been able to increase the number of our stores and factories during the year and to pay our dividends, while at the same time further strengthening our current posi-

tion. Net current assets have increased over a million and three quarter dollars. Surplus account increased by \$1,532,619.23, this being the difference between earnings credited to it and dividends paid out and charged against it.

The morale of our whole organization is the best that it has ever been. If good organization consists mainly in having the right men in the right places, then I am confident that we have a good organization. The difficult years through which we have all passed have further matured the judgment and general ability of our Department Heads and other men in executive positions. I think that we have at no time had so many high grade younger men in what might be called junior executive and assistant executive positions, nor so many capable store managers.

Yours very truly,

A handwritten signature in cursive script, reading "C. R. Walgreen". The signature is written in dark ink and is positioned above the printed name "President".

President.

ARTHUR ANDERSEN & Co.

ACCOUNTANTS AND AUDITORS

ONE LA SALLE STREET BUILDING

CHICAGO

To the Board of Directors,

Walgreen Co.:

We have made an examination of the consolidated balance sheet of WALGREEN CO. (an Illinois corporation) and its subsidiary companies as at September 30, 1934 and of the statements of consolidated profit-and-loss and surplus accounts for the year ended that date. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions. We did not make a physical inspection of the companies' fixed assets or inventories, nor did we check the legal title thereto.

The companies follow the practice of carrying book inventories computed on the basis of departmental gross-profit ratios. In accordance with recognized accounting practice these book inventories are adjusted during the year to agree with physical inventories taken by special inventory crews acting independently of the store and warehouse managers, such inventories being taken at least twice during the year at each location. The management has represented that physical inventories were so taken at various dates during the year and properly adjusted to September 30, 1934, and that they were valued at the lower of cost or market. We made test-checks to satisfy ourselves that the inventory computations were clerically accurate and that the inventories were valued as represented by the management.

As indicated on the accompanying consolidated balance sheet, fixed assets are stated at cost less write-downs. Such stated valuation does not purport to represent the present-day replacement or "realizable" value, the determination of which is not within the scope of an accountant's examination.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related statements of profit-and-loss and surplus accounts, subject to the comments therein, fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position of the companies at September 30, 1934, and the results of their operations for the year ended that date.

Chicago, Illinois,

November 16, 1934.

Arthur Andersen & Co.

WALGREEN CO. (AN ILLINOIS
CONSOLIDATED BALANCE

A S S E T S

CURRENT ASSETS:

Cash in banks, in transit and on hand.....	\$ 2,199,359.02	
Accounts and notes receivable—		
Accounts (less reserves)	\$240,397.40	
Notes	43,698.15	284,095.55
Negotiable warehouse receipts for merchandise in public warehouses.....		171,447.76
Inventories of merchandise, valued at the lower of cost or market (see accompanying report)		7,835,037.16
TOTAL CURRENT ASSETS		\$10,489,939.49
PREPAID INSURANCE, TAXES, RENT, ETC.		349,941.27

INVESTMENTS:

Stocks in other companies at cost.....	\$ 414,186.71	
Notes receivable from sale of assets (less reserves).....		156,907.30
Other receivables, bonds, tax warrants, etc. (less reserves).....		106,028.95
Employees' notes and accounts.....		21,352.41
Preferred stock of Walgreen Managers Investment Co. (assets principally advances made to employees towards purchases of and secured by common stock of Walgreen Co.)		200,000.00
Cash surrender value of \$725,000 insurance on life of C. R. Walgreen, president	159,522.20	1,057,997.57

FIXED ASSETS stated at cost less write-downs charged to earned surplus in prior years (see accompanying report):

Classification	Cost less Write-downs	Reserves for Depreciation	Net Book Balances	
Land	\$ 219,444.05	\$ —	\$ 219,444.05	
Buildings	821,327.10	151,362.46	669,964.64	
Equipment	9,064,610.32	4,023,101.64	5,041,508.68	
	\$10,105,381.47	\$4,174,464.10	\$ 5,930,917.37	5,930,917.37

GOODWILL, LEASEHOLDS, LEASEHOLD IMPROVEMENTS, ETC., written down in prior years to nominal value

1.00
17,828,796.70

NOTE: At September 30, 1934 there were outstanding in the 1935 covering 63,818 shares of common stock at \$50.00 per share, at \$13.50 per share, expiring not later than December 31, 1935. In the treasury, this being the balance of 30,000 shares.

CORPORATION) AND SUBSIDIARIES

SHEET — SEPTEMBER 30, 1934

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 1,741,587.58	
Employees' investment certificates	32,500.00	
Accrued payrolls and other expenses	358,635.43	
Provision for taxes—		
Federal income taxes for current and prior years subject to final review and determination by Treasury Department.....	\$136,298.63	
Other taxes including sales taxes	337,354.26	473,652.89
TOTAL CURRENT LIABILITIES		\$ 2,606,375.90

CONTINGENT LIABILITIES:

With respect to pending lawsuits, etc. estimated by company's attorneys not to exceed	\$ 75,000.00
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CAPITAL STOCK AND SURPLUS:

Preferred stock—6½% cumulative, par value \$100.00, redeemable on call or in liquidation at premiums varying from \$15.00 to \$7.50 per share; annual sinking fund \$96,750.00—		
Originally authorized and issued 45,000 shares less 4,000 shares retired for sinking fund and 163 shares held in treasury; outstanding 40,837 shares	\$ 4,083,700.00	
Common stock without par value—		
Authorized 1,000,000 shares		
Issued 858,409 shares (including 95,124 shares held in treasury)	6,816,689.59	
		\$10,900,389.59
Earned surplus (restricted to the extent of cost of treasury stock)	5,557,275.00	
		\$16,457,664.59
Less—Treasury stock—95,124 shares of common at cost (of which 38,409 shares were distributed November 1, 1934 in payment of a dividend in stock declared October 4, 1934)	1,235,243.79	15,222,420.80
		<u>\$17,828,796.70</u>

hands of the public, purchase warrants expiring December 31,
00 per share. There were also outstanding options to employees
ber 31, 1935, covering 27,265 shares of common stock held in
es reserved for this purpose in June, 1933.

CONSOLIDATED PROFIT-AND-LOSS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1934

<i>Particulars</i>	<i>Amount</i>
NET SALES (including sales of A Century of Progress stores) less sales taxes.....	\$53,654,657.12
COST OF SALES	<u>34,611,933.38</u>
Gross profit on sales	\$19,042,723.74
OTHER OPERATING INCOME (in prior years classified as "Other Income")	180,112.78
Gross profit and income	<u>\$19,222,836.52</u>
OPERATING EXPENSES:	
Selling, advertising and occupancy expenses (5)	\$15,753,747.73
General and administrative expenses.....	<u>630,962.83</u>
Net profit from operations	\$ 2,838,125.96
OTHER INCOME (net)	66,110.99
Total profit and income	<u>\$ 2,904,236.95</u>
OTHER CHARGES:	
Lease-cancellation payments and expenses (4).....	\$ 24,386.30
Improvements to leased properties (3).....	49,878.59
Other charges not applicable to operations.....	<u>100,869.36</u>
Net profit before provision for taxes.....	\$ 2,729,102.70
PROVISION FOR INCOME AND FRANCHISE TAXES:	
Federal income (including \$37,000 applicable to prior years) (2).....	\$ 124,167.58
Capital stock, franchise, etc.	<u>46,040.43</u>
Net profit carried to earned surplus (1).....	<u>\$ 2,558,894.69</u>

NOTES:

- (1) The net profit shown above is after deducting the following provisions—
 Depreciation of buildings, equipment, etc. (based on cost less write-downs as shown on balance sheet).....\$679,118.99
 Amortization of short-life equipment
- (2) The provision for Federal income taxes is substantially less than would normally be required on the above net income because the companies in their tax returns claim additional deductions for losses on liquidation of subsidiaries reflected in the consolidated earned-surplus account in prior years and for additional depreciation and amortization.
- (3) Leasehold improvements were written off as at October 1, 1931 by a charge to earned surplus and expenditures therefor made since that date have been charged currently to operations in lieu of amortization.
- (4) Lease-cancellation payments and expenses were charged to earned surplus in preceding years.
- (5) Includes losses on subleases which in prior years were classified as "Other Charges."

SUMMARY OF CONSOLIDATED EARNED-SURPLUS ACCOUNT
FOR THE YEAR ENDED SEPTEMBER 30, 1934

BALANCE, SEPTEMBER 30, 1933, per previous report.....	\$4,024,655.77
ADD:	
Net profit for the year ended September 30, 1934, per accompanying statement..	2,558,894.69
	<u>\$6,583,550.46</u>
DEDUCT—DIVIDENDS PAID:	
On Walgreen Co. stocks—	
Preferred—6½% (dividend for quarter ended September 30, 1934 paid on September 29)	\$265,567.33
Common—\$1.00 per share	760,353.75
On subsidiary company's preferred stock in hands of public, retired during year	<u>354.38</u>
	1,026,275.46
BALANCE, SEPTEMBER 30, 1934	<u>\$5,557,275.00</u>

DIRECTORS

C. R. WALGREEN	R. G. KNIGHT
J. E. WARD	JOY H. JOHNSON
WALTER SCHWANKE	HARRY GOLDSTINE
R. G. SCHMITT	E. E. RUECKERT

A. S. BOWES

OFFICERS

C. R. WALGREEN.....	<i>President</i>
C. R. WALGREEN, JR.....	<i>Vice President</i>
HARRY GOLDSTINE.....	<i>Vice President</i>
F. C. SCHRAMM.....	<i>Vice President</i>
A. L. STARSHAK.....	<i>Treasurer</i>
R. G. SCHMITT.....	<i>Secretary</i>
E. E. RUECKERT.....	<i>Ass't Sec'y and Ass't Treas.</i>

COMMON STOCK

CHICAGO

Transfer Agent	Registrar
First National Bank	Harris Trust & Savings Bank

NEW YORK

Transfer Agent	Registrar
Commercial National Bank & Trust Co.	Guaranty Trust Co.

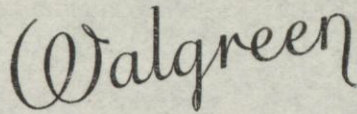
PREFERRED STOCK

CHICAGO

Transfer Agent	Registrar
First National Bank	Harris Trust & Savings Bank

NEW YORK

Transfer Agent	Registrar
Guaranty Trust Co.	Commercial National Bank & Trust Co.



WALGREEN CO.
GENERAL OFFICES:
744 BOWEN AVENUE

DRUG STORES

NOVEMBER 21

1934

CHICAGO

TO THE SHAREHOLDERS OF WALGREEN CO.:

YOU ARE HEREBY NOTIFIED that the Annual Meeting of the Stockholders of Walgreen Co. will be held on Wednesday, December 12, 1934, at the hour of three o'clock P. M. at the General Offices of the Company, 744 Bowen Avenue, Chicago, Illinois.

YOU WILL FURTHER PLEASE TAKE NOTICE that at said Meeting a Board of Directors will be elected for the ensuing year, and such other and further business as may properly come before said Meeting will be then and there transacted.

Please date and sign the proxy below, have your signature witnessed and return proxy in the enclosed envelope. The execution of this proxy will not prevent your attending the Meeting and voting in person, if you find it convenient to do so.

R. G. SCHMITT, *Secretary*

C. R. WALGREEN, *President*

PROXY

Know all men by these presents, That the undersigned, holder of capital stock of Walgreen Co., hereby constitutes and appoints, C. R. Walgreen, H. Goldstine, and R. G. Knight or any one or more of them, to be lawful attorneys, substitutes, and proxies of the undersigned for and in the name of the undersigned, to vote upon all the Preferred Stock and Common Stock of said Corporation now or hereafter held by the undersigned, at the Annual Meeting of the shareholders of said Corporation to be held on December 12, 1934, and at any adjournment thereof, as fully and with the same effect as the undersigned could do if personally present at such Meeting or Meetings, with full power of substitution in the premises.

Witness the signature of the undersigned this _____ day of _____, 1934.

(L.S) _____

Witness: _____

(copy)

BRAD STORES

NOVEMBER 21

CHICAGO

1911

TO THE BOARD OF DIRECTORS OF THE BRAD STORES COMPANY

YOUR REPORT ON THE STATE OF THE COMPANY FOR THE YEAR ENDING OCTOBER 31, 1911, HAS BEEN RECEIVED AND IS HEREBY ACKNOWLEDGED.

THE BOARD OF DIRECTORS HAS REVIEWED THE REPORT AND IS OF THE OPINION THAT THE STATE OF THE COMPANY IS SATISFACTORY.

W. C. KIMBLE, Secretary

PROXY

THIS DOCUMENT IS A COPY OF THE PROXY STATEMENT OF THE BRAD STORES COMPANY FOR THE YEAR ENDING OCTOBER 31, 1911. IT IS HEREBY ACKNOWLEDGED THAT THE BOARD OF DIRECTORS HAS REVIEWED THE REPORT AND IS OF THE OPINION THAT THE STATE OF THE COMPANY IS SATISFACTORY.

